



## **Informational Hearing: Liquefied Natural Gas**

### **Testimony for Senate Energy, Utilities, and Communications Committee**

Prepared by Susan Jordan, Director  
October 27th, 2005.

Let me start by thanking Senator Escutia for scheduling this much-needed hearing on permitting for LNG terminals in CA and for the members of the committee who were able to take time from their District responsibilities in order to attend.

My name is Susan Jordan. I am the Director of the non-profit California Coastal Protection Network and co-host of the Statewide LNG Environmental Stakeholder Working Group that includes roughly 25 community and environmental groups. I have provided the Committee with copies of our Stakeholder Statement, signed by over 35 groups and municipalities, that calls for an LNG Specific Needs Assessment and a coherent regulatory process to govern the review of proposed LNG terminal projects in the State of CA.

I would like to address several related points on behalf of the public.

**1. Proposed LNG terminal proposals in CA differ significantly in terms of their technological design and location and there is no existing process to establish which one(s), if any, represent the best choice for our State. Newer technologies that may be a better fit for CA are not currently under consideration.**

The LNG terminals proposed for CA differ considerably in terms of design; no two are alike. Thus, the well established and relatively routine permitting procedures that are used to evaluate 'cookie cutter' power plant proposals are wholly insufficient to address the complexities and distinct variances between LNG terminal proposals.

- **A Floating Terminal:** BHP Billiton has proposed a vast floating terminal, three football fields long, to be moored offshore Oxnard and Malibu; known as 'Serial No. 1' since no other similar facility currently exists in the world today.
- **An Onshore Terminal in the Port of Long Beach:** Sound Energy Solutions has proposed an onshore facility to be located in the busy Port of Long Beach (approx \$200 billion in annual trade volume) proximate to densely populated neighborhoods.
- **An Old Oil Platform:** Crystal Energy has proposed an offshore facility which seeks to convert an aging oil platform into an LNG berthing and regassification facility.
- **A Gravity Based Concrete 'Island':** Though recently withdrawn, Chevron planned to build a 'gravity based system' off San Onofre Nuclear Power Plant and Camp Pendleton. This type of system is embedded in the ocean floor in relatively shallow water and resembles an artificial island. Chevron is reportedly looking for another location.

Not represented in this diverse mix is a different approach that has been described by industry observers as a technological breakthrough: **Excelerate Energy's patented 'Energy Bridge.'** According to industry reports, Excelerate converts conventional LNG tankers into storage and re-gassification vessels limiting the need for extensive onshore or near shore infrastructure. One such facility is currently operating 116 miles off the Gulf coast and apparently fared well during the recent hurricanes.

Unfortunately, the same cannot be said for BHP Billiton and Chevron's floating oil and natural gas (not LNG) platform that broke free from its moorings during Hurricane Rita and drifted 160 miles toward the coast of Louisiana. A BHP spokesperson said the company was mystified by the failure of its 'hurricane proof' platform.

**Recommendation:** *Given the significant differences between LNG terminal proposals, it is essential that CA establish a permitting process that evaluates their relative merits in terms of public health and safety, environmental impacts, environmental justice, and impacts to important sectors of CA's economy, e.g. ongoing military operations, etc.*

**2. In addition to being technologically distinct, onshore and offshore LNG terminal proposals go through separate permitting tracks under different Federal laws and under different Federal and State agency jurisdiction further inhibiting any coordinated review.**

LNG shot out of a cannon several years ago taking small communities in the Gulf, the Northeast and West coast, in that order, by surprise. And what these communities found was a confusing, two track process that defies common sense, is dictated solely by whether or not an LNG terminal is onshore or offshore, and prizes expedited approval rather than coherent review.

If a proposal is onshore, it falls under the Department of Energy and is governed under the Natural Gas Act. Any dispute over the State's jurisdiction was mooted under the recent Energy Policy Act of 2005 which gave FERC exclusive jurisdiction to site LNG terminals. Bottom line? FERC runs the onshore siting show whether CA likes it or not.

If a proposal is offshore, it falls under the Department of Transportation and is governed by the Deepwater Port Act. The review and license to operate is under the jurisdiction of US Coast Guard and the Maritime Administration.

By definition, then, the Federal government has created a two-track permitting process that does not require or provide for any regional or statewide planning based on need or coordinated review.

This lack of coordinated review was acknowledged by CA Energy Commission Chair Joe Desmond back in February during a presentation for the California Coastal Commission. According to press reports, when Desmond was asked by Commissioners how the Commission was going to possibly choose the most appropriate site for an LNG terminal in CA, Desmond responded that "It is a challenging issue. There is no requirement for an integrated planning review." Which is precisely my point. There is no requirement for coordinated review, but given the minimum 40 to 50 year lifespan of these facilities, there should be.

***Recommendation:*** Establish a State requirement for coordinated review of pending LNG terminal projects in terms of a series of standardized variables that allows CA to prioritize and rank proposals.

### **3. Confusing permit paths and highly expedited timelines for review of LNG terminal proposals disallows meaningful public input, compromises existing State review, and unnecessarily rushes project approval.**

One of the biggest problems we face in getting a handle on these permitting issues is the relentless hype that we are currently in a natural gas crisis and that we have to have LNG yesterday in order to survive next summer. Combined with the spin that LNG will bring down natural gas prices to previous levels and be a new source of 'cheap' natural gas, it is argued that there is no time or need to improve LNG permitting processes or compare projects based on their relative merits.

For starters, I do not believe that LNG will be a cheap source of natural gas. And I base that opinion on reading industry reports that essentially say that prices for LNG have to remain high in order to make extraction, transportation, regassification and infrastructure costs worth it. That very point was made by Manatt Phelps & Phillips attorney David Huard, who wrote that North American natural gas prices must maintain their current level, or even increase in order to justify investment by LNG exporters.

And for those who are unfamiliar with what 'highly expedited' means, I can tell you from personal experience that it creates unreasonable hurdles for agency and public review.

In terms of approving offshore LNG terminals, it means that once an offshore application is deemed complete by MARAD and the Coast Guard under the Deepwater Port Act, that a decision on approval must be made within 285 days of the application being noticed in the Federal Register. That means that all environmental review must be concluded by all agencies within 240 days, as opposed to the 365 days normally permitted by CEQA.

The same applies to the FERC evaluation process which has been streamlined over the last several years to the point where nearly all applications are reviewed and approved within a short period of time.

What this 'rush to approve' means in the real world is poorly drafted environmental documents that contain erroneous information or that fail to include essential analyses. I don't mean to imply malfeasance on the part of anyone involved. My point is that these reviews are being unduly rushed and, when people rush, they make

mistakes. How serious are those mistakes? Sometimes quite serious - like using the wrong computer model to estimate 'hazard exclusion zones' for LNG spills on water - as in the case of the BHP Billiton DEIS/DEIR. Or failing to account for impacts to ongoing strategic military operations and exercises - as in the case of Fall River, Mass. Or underestimating the thermal radiation impacts - as in the case of the Long Beach proposal.

***Recommendation:*** *CA should not be intimidated into quickly approving LNG terminal projects that may saddle the state with one or more LNG terminals that are untested in terms of technology, unsafe for nearby residents, unreliable in terms of supply and unduly expensive for consumers. Determining level of need and creating a coherent process up front will save the state from costly mistakes that will not be easily rectified once approvals are granted.*

**Conclusion:**

***The Federal government has created a permitting situation designed to limit and frustrate coastal states legitimate role in siting and permitting LNG terminals. California should act responsibly by passing legislation that reduces the burden on local communities, establishes the level of need for LNG in CA, and evaluates the relative merits of different pending LNG terminal designs.***

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